

January 25, 2023

The Honorable Molly Baumgardner, Chairperson  
Senate Committee on Education  
300 SW 10th Avenue, Room 144-S  
Topeka, Kansas 66612

Dear Senator Baumgardner:

**SUBJECT:** Fiscal Note for SB 83 by Senate Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning SB 83 is respectfully submitted to your committee.

Under current law, the Tax Credit for Low Income Students Scholarship Program requires a student's eligibility for free or reduced prices meals under the National School Lunch Act as a qualifier for participation in the program. SB 83 would remove this eligibility and would instead require that an eligible student must: (1) not have graduated from high school or reached the age of 21; and (2) have an annual family income that is less than or equal to 250.0 percent of the federal poverty guidelines, as determined by the US Department of Health and Human Services. The bill would continue to require the student be a Kansas resident.

In addition to meeting these qualifiers, the bill would require a participating student to: (1) enroll in kindergarten or in any of the grades one through 12 for the first time; (2) have been in foster care or placed in a kinship care placement at any time prior to graduation from high school or the age of 21; (3) have a parent who is on active duty with any branch of the US armed forces; or (4) have a parent who is an emergency medical service provider, firefighter, or law enforcement officer.

For contributions to a scholarship granting organization, current tax law provides a tax credit of up to 70.0 percent of the amount contributed with a maximum allowable credit of \$500,000 in any tax year and a program aggregate of \$10.0 million of tax credits in any one tax year against a company's corporate income tax liability or a bank or insurance company's privilege tax liability. SB 83 would change the tax credit, beginning in tax years after December 31, 2022, to equal to 100.0 percent of the amount contributed to a scholarship granting organization, up to a maximum of \$500,000 per taxpayer. In each tax year after December 31, 2022, the Secretary of Revenue would be required to determine whether the total amount of credits claimed exceeds 80.0 percent of the aggregate tax limit. If this condition is satisfied, the aggregate tax limit would be increased by 20.0 percent for the succeeding tax year with a maximum aggregate limit of \$20.0 million.

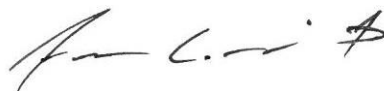
Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$5,000,000)	(\$5,000,000)
Expenditure	--	--	\$105,940	\$105,940
FTE Pos.	--	--	--	0.50

According to the Department of Revenue, in Tax Year 2022, approximately \$5.0 million in tax credits have been approved for the program. Because the bill would allow a greater number of students to qualify and would increase the maximum credit allowed to 100.0 percent of a contribution to a scholarship granting organization, the Department estimates that credits would increase by \$5.0 million (to a total of \$10.0 million) in Tax Year 2023, with an additional increase of \$2.0 million (to a total of \$12.0 million) in Tax Year 2024. The Department estimates additional increases of \$2.0 million in each subsequent year beyond Tax Year 2024. The Division of the Budget notes that although the current annual statutory cap for the tax credit is \$10.0 million, the projected amounts estimated by the Consensus Revenue Estimating Group in the overall revenues for the State General Fund in FY 2023 and FY 2024 is based upon the actual tax credits claimed in the prior tax year.

The Department of Revenue would require \$67,190 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required.

The Department of Education estimates that because of the increased number of students applying for scholarships, the agency would require additional expenditures totaling \$38,750 from the State General Fund for a 0.50 FTE position to review and process applications. This cost estimate includes \$36,250 for salaries and wages, including fringe benefits, and operating expenditures totaling \$2,500 for office equipment, phone and internet services, and office rent. Any fiscal effect associated with SB 83 is not reflected in *The FY 2024 Governor’s Budget Report*.

Sincerely,



Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Craig Neuenswander, Department of Education